

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA	:	Criminal Number:
	:	
v.	:	VIOLATION:
	:	18 U.S.C. § 371
DENNIS N. ABBOTT,	:	(Conspiracy to Manipulate the Price of a
	:	Commodity in Interstate Commerce)
	:	
Defendant.	:	

STATEMENT OF OFFENSE

Pursuant to Federal Rule of Criminal Procedure 11, the United States and the defendant, DENNIS N. ABBOTT (ABBOTT), agree and stipulate to the following Statement of Offense to provide a factual basis for ABBOTT's plea of guilty to the conspiracy charge filed against him:

February 2004 Manipulation of TET Propane Market

1. From February 5, 2004, through July 28, 2004, defendant ABBOTT and other employees of a British Petroleum subsidiary, BP Products North America (BP), agreed to manipulate the February 2004 propane market for TET propane.

2. In accordance with the plan, ABBOTT and his conspirators used BP's financial resources to buy substantially all of the February 2004 TET propane supply to become the dominant owner, or "long-holder," of TET propane. The conspirators intended to reduce the available supply of February 2004 TET propane so they could sell that propane at an artificial price inflated through the conspirators' manipulation.

3. As a result of the conspirators' conduct, by the end of February 2004, BP acquired control of approximately 90% of February 2004 TET propane supplies in the United States.

ABBOTT and his conspirators thus sold propane at artificial prices through manipulation of the market.

BP's Trading in TET Propane

4. Propane is a natural gas liquid ("NGL"). Propane is used for chemical processes and as a source of energy for residential and commercial purposes. Residential and commercial demand for propane is a significant component of the overall demand for propane in the United States. Because residential and commercial demand for propane is primarily for heating homes and businesses, demand for propane is seasonal.

5. Residential and commercial consumption of propane is greatest in the Northeast and Midwest sections of the United States. The primary means by which propane was delivered to these regions is the TEPPCO pipeline system, which is the only pipeline transporting propane from Mont Belvieu, Texas, to the Northeast and Midwest. Propane in the TEPPCO pipeline is identified as TET propane.

6. TET propane is a commodity as defined in Title 7, United States Code, Section 1(a)(4), and TET propane that flows through the TEPPCO pipeline crosses various states. As a result, TET propane is a commodity in interstate commerce.

7. Propane prices are published by the Oil Price Information Service ("OPIS"). The prices published by OPIS are specific to the type of propane, such as TET propane, and the month or time period for which the propane is to be delivered. Generally, a price is published for the current month, the next month and for delivery the next day. Propane traders trade TET propane contracts based upon these delivery distinctions.

8. The OPIS prices quoted for TET propane affect the price paid by both commodities traders and end users, such as commercial and residential consumers of propane in the Midwest and Northeast, including Illinois, Indiana, New York, Ohio, and Pennsylvania.

The BP Trading Bench

9. The group within BP that trades propane in the United States is the Natural Gas Liquids Trading Unit (“NGL Trading Bench”). The NGL Trading Bench trades propane for use in BP’s wholesale and petrochemical businesses, and for speculative purposes to generate a profit.

10. During February 2004, the NGL Trading Bench employed approximately nine traders. These traders executed commodities trades and assisted with the development and execution of trading strategies. During the conspiracy, trading for TET propane was primarily executed by one BP trader (“BP Trader #1”).

11. The direct supervisor of the BP traders was the bench team leader known as the “bench leader” (“BP’s Bench Leader”). In turn, BP’s Bench Leader reported to several BP executives. These BP executives included a Vice President responsible for supervising BP’s trading in NGL (“BP Employee #3”), and a senior executive responsible for BP’s NGL operations (“BP Employee #4”). The trading bench and these executives consulted a BP Compliance Manager (“BP Employee #5”), regarding the trading strategies of BP’s trading bench. BP’s Bench Leader’s responsibilities included the development and oversight of BP’s trading strategies, and reporting to and seeking approval from BP’s senior executives who oversaw trading operations.

12. From approximately 2000 to October 2005, ABBOTT was an employee of BP and a member of the NGL Trading Bench. During 2004, ABBOTT traded primarily heavy NGLs such as butane, and as the need arose, light NGLs, such as propane and other commodities.

2004 Scheme Followed 2003 Manipulation Attempt

13. ABBOTT and his conspirators agreed to manipulate the February 2004 TET propane market based, in part, upon information and experience the conspirators gained in April and May, 2003 when the NGL Trading Bench attempted to manipulate the price of April 2003 TET propane through a market corner. Specifically, ABBOTT and his conspirators developed information during the 2003 manipulation attempt which suggested what they believed to be the “dead stock” level of propane, or the minimum operating level needed for the TEPPCO pipeline to function. These data indicated propane supplies diminished during the winter months because it was used to heat homes and businesses in the Northeast and Midwest. Furthermore, in early February of 2004, ABBOTT and his conspirators learned for the first time that they could access TEPPCO propane inventory levels via the internet, giving them additional information concerning the “dead stock” level, beyond that which was available during the 2003 market manipulation attempt.

Hatching the February 2004 Market Corner

14. Based on their analysis of market conditions, ABBOTT and his conspirators developed a trading strategy to own the entire available supply of February 2004 TET propane. The strategy was designed to force other market participants holding short positions in TET propane at the end of February to purchase February 2004 TET propane from BP at artificial

prices.

15. As a result of owning almost the entire available supply of February 2004 TET propane, ABBOTT and his conspirators intended to earn a significant profit for BP by selling the February 2004 TET propane at artificial prices inflated by their conduct. Furthermore, the conspirators intended to profit personally by obtaining bonuses and other remuneration as a result of the profits BP would achieve through their market manipulation. Finally, the conspirators intended to use this information to conduct future market manipulations.

16. Between February 5, 2004, and July 28, 2004, ABBOTT and his conspirators held meetings at BP's trading office to discuss the market corner strategy. In addition, BP's Bench Leader and BP Employee #3 had conversations in furtherance of the conspiracy with BP Employees #4 and #5 in which BP Employees #4 and #5 reaffirmed their approval of the market corner strategy and BP's increasing long propane position. These communications included telephone conversations and emails.

17. On February 5, 2004, ABBOTT and BP's Bench Leader had a taped telephone conversation in which they agreed that the market corner would permit BP not only to profit from the manipulation, but if successful, going forward, they would know BP could "*control the market at will.*" ABBOTT and his conspirators thereafter agreed to attempt to purchase all available February 2004 TET propane to corner the market and thereby artificially affect the market price of February 2004 TET propane.

Approval of February 2004 Scheme by BP Management

18. Based on conversations, emails and other communications, ABBOTT and his

conspirators understood that implementation of the market corner strategy was approved not just by BP's Bench Leader, but by the group's senior most executives, including BP Employees #3 and #4, as well as a compliance manager, BP Employee #5.

19. To prevent market participants and others from learning about their market manipulation, BP Employee #5 directed BP's Bench Leader that the BP Trading Bench should refrain from using certain words, similar to "squeeze," "leverage," and "corner," when describing the trading strategy in emails and telephone conversations. These instructions were relayed to the NGL Trading Bench, including ABBOTT and BP Trader #1.

Execution of Market Manipulation Scheme

20. In accordance with their market manipulation scheme, between February 9, 2004 and February 29, 2004, ABBOTT and his conspirators, including but not limited to BP's Bench Leader and BP Trader #1, on behalf of BP, purchased a significant amount of the available February 2004 TET propane. As a result, by February 26, 2004, BP owned contracts for approximately 90% of all February 2004 TET propane.

21. Between February 9, 2004, and February 27, 2004, ABBOTT and his conspirators caused show offers to be presented to the market, which were designed to make it appear that BP wished to sell propane and that there were multiple suppliers of TET propane, but the offers were instead sufficiently above the prevailing asking price that they would not result in a sale. In the context of the market manipulation scheme, the show offers presented false information concerning the availability of TET propane.

22. By at least February 27, 2004, due to the manipulation scheme, February 2004

TET propane prices did not reflect legitimate forces of supply and demand. The conspirators caused prices for February 2004 TET propane to increase dramatically and become artificial.

23. As a result of their market manipulation scheme, ABBOTT and his conspirators gained the ability to demand, and did demand, a price dictated solely by the conspirators that was unrelated to the legitimate market forces for the product.

24. Based on the facts set forth above, ABBOTT admits that he conspired to manipulate the price of February 2004 TET propane contrary to Title 7, United States Code, Section 13(a)(2), all in violation of Title 18, United States Code, Section 371.

DATE:

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DEFENDANT'S ACCEPTANCE

I have read every word of this Statement of Offense. Pursuant to Federal Rule of Criminal Procedure 11, after consulting with my attorney, Micahel Spafford, I agree and stipulate to this Statement of Offense.

Date: _____

Dennis N. Abbott
Defendant

I have discussed this Statement of Offense with my client, Dennis N. Abbott. I concur with his decision to stipulate to this Statement of Offense.

Date: _____

Michael L. Spafford
Attorney for the Defendant